Yukon Economic Development

A New Direction: Building a Sustainable and Competitive Yukon Economy

Summary Document

January 30, 2004

Yukon
Economic Development

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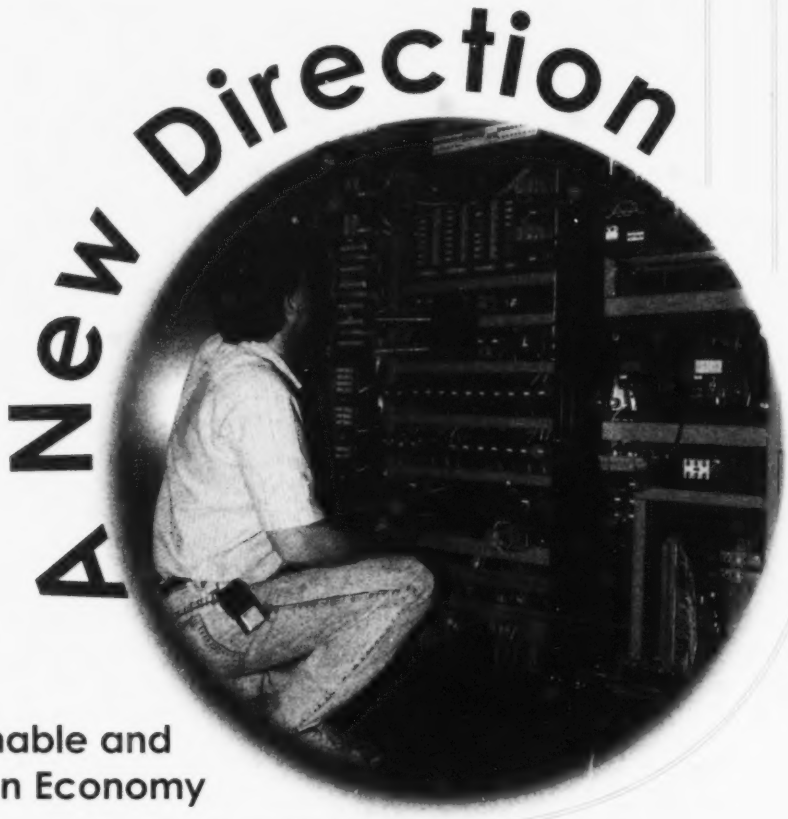
Introduction

The Yukon has abundant resources, talented and resilient people and a high quality of life. With these attributes, we have the wherewithal to grow our economy. We have sufficient competitive advantages in the Territory to build a strong, sustainable economy that is grounded in private-sector initiative.

The Yukon economy needs a new direction, one that enables the territory to achieve its potential. Our goal is to develop a sustainable, competitive Yukon economy that is capable of sound performance over the long term. To achieve this goal, we need to develop the Yukon's sustainable competitive advantages and focus on building an economy that can successfully compete at regional, national and international levels.

The purpose of this paper is to build the Yukon Economic Direction and outline some of the strategic initiatives that the Department of Economic Development will pursue to build a sustainable and competitive economy.



Building a Sustainable and Cor..petitive Yukon Economy

The Yukon Economic Situation

The Yukon has a small, open economy that competes globally. The Yukon's current economic environment is described below:

- The global economic picture is improving, with economic recovery underway in the United States and strong growth continuing in China and other Asian economies. Global events, such at the on-going incidence of terrorist activities, the Iraq invasion and the spread of SARS, have added uncertainties but generally, the global economic situation is improving.
- Nationally, Canadian economic growth has been tempered by SARS, mad-cow disease, trade issues with the U.S. and a rising Canadian dollar. Despite this, the Canadian economy remains resilient and is expected to carry its strong performance into 2004.
- Regionally, the Yukon is surrounded by jurisdictions that are generally enjoying strong economic growth, driven largely by resource sectors. Alaska, the Northwest Territories, Saskatchewan and Alberta have all posted strong economic performance lately. British Columbia has been impacted by the Canada U.S. softwood lumber impasse and a series of fires and floods that have impeded economic growth.
- The Yukon economy has generally underperformed both the national and regional economies over the last several years. Population and employment declines, sluggish growth in output and a decline in resource production are the key indicators. Worldwide, the three major drivers of change are technology, the changing role of government in business, and globalization. Within this context, both governments and business are players in a more competitive environment.

The Process

The department has met with approximately 100 representatives from 18 organizations to gather their input, views and suggestions on the direction the department should take to build the economy. This work has been guided by and reviewed with a key stakeholders group, comprised of 13 representatives from organizations representing business, industry, community and labour.

Important Messages

Through our numerous meetings, the private sector has told us that we need to:

- Focus on the big picture rather than the details of economic development;
- Get our regulatory house in order and develop a positive business climate;
- Attract outside investment;
- Get beyond protectionist and risk-averse attitudes, and develop our people to compete in world markets;
- Orient government activities towards instead of away from development;
- Market aggressively our products, services, industries, businesses, and Territory;
- Position the department of Economic Development to be an effective proponent for economic development within and outside of government.

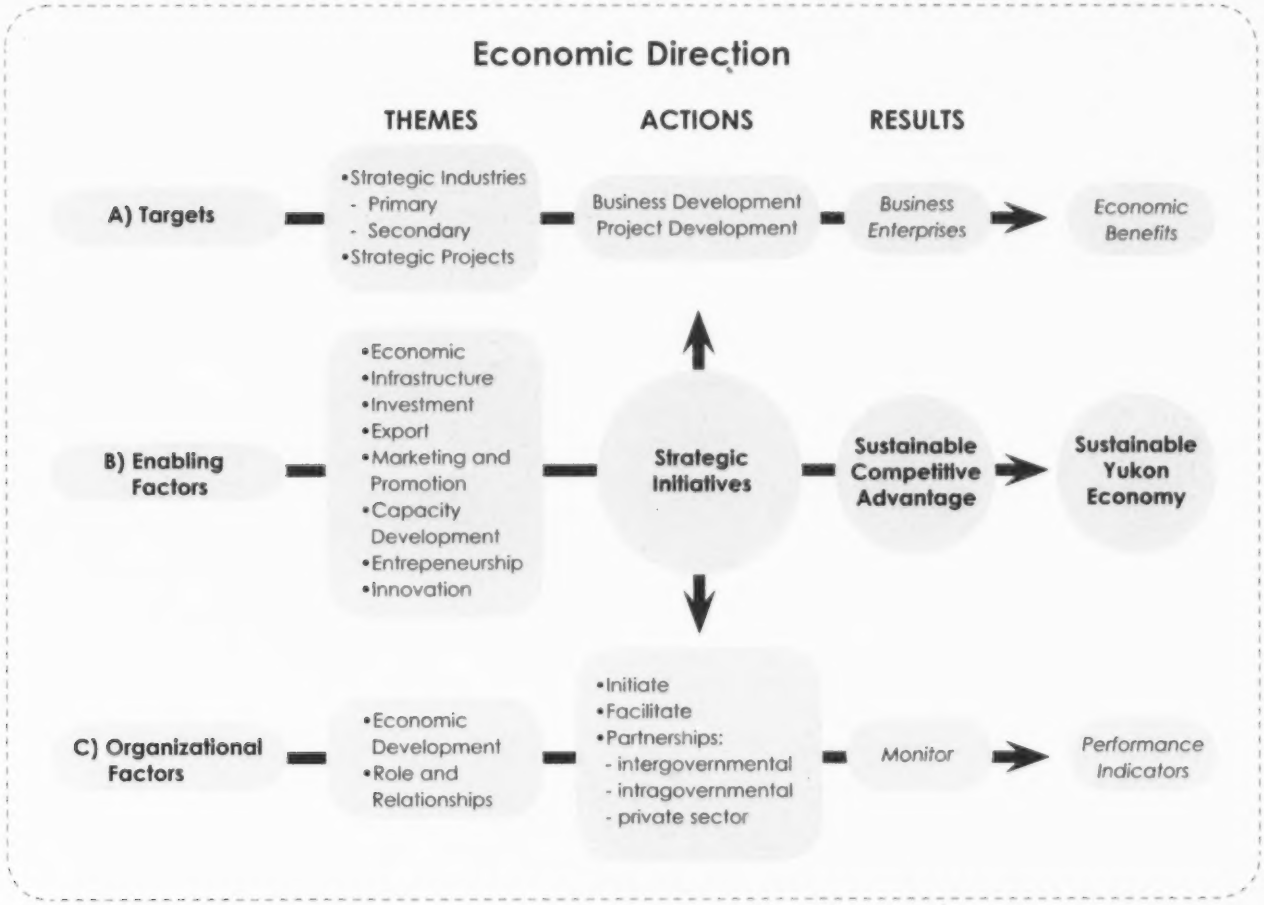
Consultation Themes

The department has heard a large number of constructive inputs. Through a detailed review of these inputs, a number of common themes have emerged. These are summarized below.

Theme Areas	Description
Strategic Industries	The government needs to focus its work on the industries that offer the greatest potential to create economic growth. These industries can be either primary (export oriented) or secondary (flowing from primary activity).
Strategic Projects	Strategic projects have the potential for long-term, sustainable economic impacts and generally enhance the Yukon's competitive position. The department will participate in these projects as the lead Yukon Government agency and as a facilitator to development.
Economic Infrastructure	Economic infrastructure includes establishing a positive business climate and regulatory regime in the Yukon as well as enhancing the physical assets that enable economic development.
Investment	Investment and Yukon opportunities need to be linked – the department should play a role in making this linkage.
Export	Developing new regional, national and international markets for Yukon goods and services is key to generating economic growth.
Marketing and Promotion	Marketing the Yukon as an attractive place to invest and do business is seen as a core function of the department
Capacity Development	Building the capacity of individuals, businesses, organizations, First Nations and institutions to participate more effectively in the economy is seen as an important function.
Entrepreneurship	The department needs to foster entrepreneurship as a basic set of skills and abilities that enable economic development.
Innovation	Innovation growth is key to developing a competitive advantage – it is about doing things more effectively or efficiently. The department should foster innovation and be innovative in its own approach to economic development.
Economic Development Roles and Relationships	Economic Development needs to establish its role as a leader and advocate for economic development and build solid working relationships to be effective. This applies equally to internal (with the Yukon government) and external relations.

The Framework for an Economic Direction

To develop an economic direction, the themes that emerged from consultation were used as a foundation to build a framework. This involves turning what we heard into where we will focus. As this process evolves, the department will address more specifically what we will do. The framework is depicted below.



The themes are split into three broad categories:

A) *Targets*, which are the main focus of the department's activities.

B) *Enabling Factors*, which are the ingredients required to support the development of sustainable, competitive business activities.

C) *Organizational Factors*, are the ways the department will structure and conduct its work.

To implement the Economic Direction, the overall goal of developing a sustainable competitive advantage to achieve a sustainable Yukon economy has been developed. To support this overall goal, an objective has been developed for each theme and broad strategic initiatives have been attached to each objective.

The Economic Direction is described in the following section.

The Yukon Economic Direction

The department of Economic Development will take a focused and strategic approach to developing the Yukon economy and will be guided by the following principles.

1. The private sector is the key to economic growth. The public sector plays an important role, but is not the engine of growth for the future.
2. Our relationships, within and outside of government, are critical to the success of our work.
3. Building and enhancing the Yukon's sustainable competitive advantages are fundamental to building a sustainable and competitive Yukon economy.
4. The Yukon Economic Direction, which will guide the work of the department, is a dynamic process rather than a static document. The department will engage our partners to ensure that our on-going work is relevant and effective in achieving sustainable economic growth.
5. Our success depends on doing the fundamentals well. Economic development is a complex and long-term process – there are no silver bullets.

Our Goal:
To build a sustainable and competitive Yukon economy

A) Targets

Themes	Objectives	Strategic Initiatives
Strategic Industries	Focus on the development of primary and secondary industries that strengthen and diversify the economy as well as providing long-term, sustainable economic benefits.	• Identify and foster growth potential within individual industries and sectors. • Assist industry-based organizations and relevant government departments to implement sector specific development strategies. • Promote export activities by developing capacities and incentives.
Strategic Projects	Lead the Yukon Government's participation in strategic projects to ensure that government is proactive and supportive of the development of major strategic projects.	• Identify strategic economic opportunities and projects. • Work with proponents and our partners to make good projects happen. • Support and facilitate project proponents through government policy and approval processes.

B) Enabling Factors

Themes	Objectives	Strategic Initiatives
Economic Infrastructure	Improve the stock of economic infrastructure, including the development of a positive business climate in the Yukon.	• Improve the Yukon's regulatory competitiveness and business climate. • Develop and deliver positive, pro-development messages that welcome investment and development to the Yukon. • Promote a culture of can-do. • Lead and support the Yukon Government's involvement in strategic infrastructure projects such as the railway. • Promote development of infrastructure where it is a known barrier to development, such as cost-effective energy and broadband access.
Investments	Promote and facilitate links between Yukon opportunities and capital investment.	• Make the Yukon accessible and attractive to outside investors. • Align Yukon opportunities and Yukon businesses with appropriate sources of capital. • Promote, encourage and facilitate joint venture opportunities.
Export	Assist Yukon businesses to identify, access and develop regional, national and international markets.	• Identify and promote Yukon products and Yukon services that have the potential to successfully compete regionally, nationally and internationally. • Help Yukon businesses and industries to explore and develop export markets.
Marketing and Promotion	Market the Yukon as an attractive, strategic and competitive place to do business.	• Develop effective ways to promote the Yukon's competitive advantages. • Assist Yukon businesses and industry to market their products and services. • Strategically develop and promote the Yukon brand.
Capcity Development	Build the Yukon's economic potential through enhancing capacity.	• Work with our partners to mitigate skill shortages across sectors and occupations, where they are a barrier to development. • Where opportunities exist, attract skilled workers and entrepreneurs to the Yukon. • Work with First Nations and First Nation Development Corporations to develop ways of meeting their capacity needs. • Link business owners and managers with the counseling and advice they need to operate and expand their businesses.
Entrepreneurship	Promote, develop and celebrate entrepreneurial skills, talents and abilities in the Yukon.	• Develop entrepreneurial capacity, with a strong focus on young entrepreneurs. • Foster an environment where business risk-taking is encouraged and rewarded.
Innovation	Encourage innovation in all sectors of the Yukon economy.	• Foster Innovation in Government, as a means to demonstrate leadership. • Promote and incorporate innovation as a means of doing things better and more effectively, for less cost, to produce greater benefits for more people. • Incorporate innovative practices in the work of the department of Economic Development.

C) Organizational Factors

Themes	Objectives	Strategic Initiatives
Department of Economic Development Roles and Relationships	Advocate, initiate and facilitate economic development and implement this role within government and with our private sector, First Nation and other partners.	• Fill the role of lead agency (quarterback) for economic initiatives within the Yukon government. • Build productive ongoing working relationships, with First Nations, the private sector, industry organizations and others, as a means to advance the development of the Yukon economy. • Work with the private sector to develop a sustainable competitive advantage. • Establish effective ways to partner with the private sector in developing and continually improving the Yukon Economic Direction.

Next Steps

The department will continue to develop and refine the Economic Direction, and will include the following:v

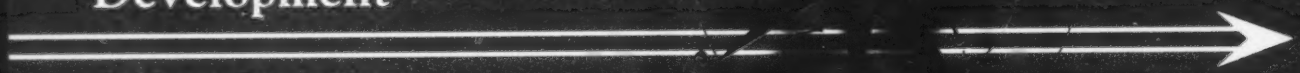
- A review and analysis of existing sector development strategies to determine how well they mesh with the Economic Direction and to assess any gaps that may exist.
- A detailed assessment of the Yukon competitive advantages, including our regulatory competitiveness with other jurisdictions.
- Organizing a senior-level interdepartmental economic development committee to foster an integrative, cohesive and cooperative approach.
- Organizing, with our private and public sect or stakeholders, a Yukon coalition for economic development whereby stakeholders remain engaged with government in economic development.
- A shift from direction to action that considers:

  -Immediate actions to produce near- term results.

  -Medium-term actions that could produce results within three years.

  -Strategic, long-term initiatives that are targeted at major projects and goals with sustainable benefits.
- Developing Program Funds for marketing/export incentives, strategic project/industry initiatives, and regional economic development (including First Nations).
- Meet with First Nations, other government partners and regional or sector-specific committees to discuss projects and industries as required.
- A way of measuring progress on our objectives.

Yukon Economic Development



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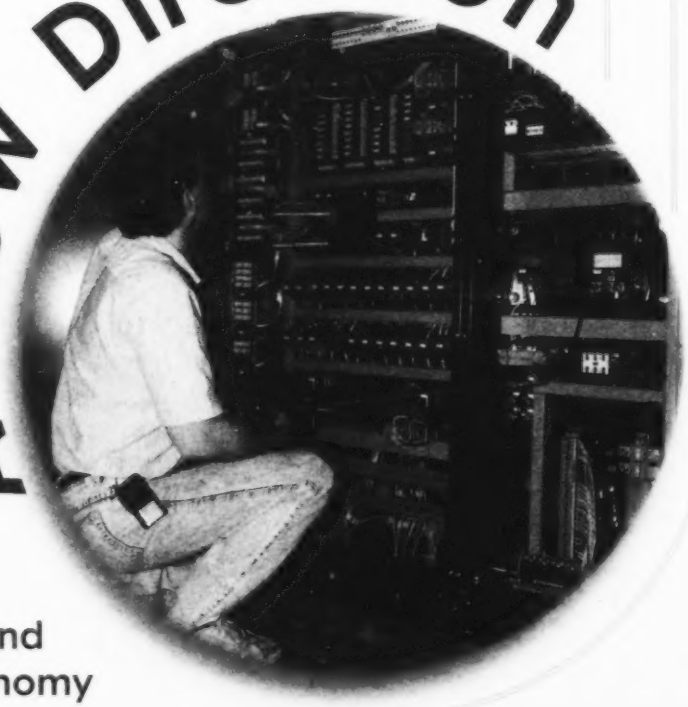
A New Direction



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Introduction

Purpose of this Paper

Yukon's economy needs a new direction. In recent years, our economy has performed poorly. The population has shrunk significantly and reliance on government has increased rather than decreased. We need to reverse these trends. One of the Yukon government's top priorities is revitalizing the territory's economy and the newly formed Department of Economic Development has this mandate.

The goal is to build a sustainable Yukon economy – dynamic, diversified, and capable of sound performance over the long term. To achieve this goal, we need to develop the territory's *sustainable competitive advantages*, the inherent qualities that give us a competitive edge. We need a clear direction to pursue the key economic themes that will enable Yukon to find and maintain this competitive advantage.

This report describes that new economic direction. It has been developed through a focused process that included meetings between the department and the leading economic stakeholders in the territory. The themes reflect the reasonable consensus of stakeholders and the government about what is important. Likewise, suggested initiatives describe what both stakeholders and the government believe we need to do to pursue economic growth.

This paper defines the scope of economic development within a framework of key themes that includes:

- *Targets* upon which to focus development initiatives;
- *Enabling factors* that are required for a healthy, growing economy;
- *Organizational factors* that are important to implement the direction.

The framework is a dynamic model that provides a direction to economic development and how we can take new approaches to building our economy. It does not represent a comprehensive strategy nor a detailed, sector-specific or region-specific plan. It is a basic roadmap that will guide the government's economic development actions and initiatives.

The model will undergo continuous improvement and refinement, always looking for ways to enable economic growth and add value to all of our economic partnerships. We recognize, of course, that government cannot "manage" economic development in the sense of directing what industry should do or how it should grow. Government's role is to enable and promote economic development through an ongoing *process* that aims to identify, facilitate and promote Yukon's *sustainable competitive advantages* over the long term.

The purpose of this document is to describe the Economic Direction, and outline some of the general initiatives that the department can pursue to develop a sustainable Yukon economy.

Yukon's Economic Situation

The Yukon has a small, open economy that competes globally. The Yukon is subject to a variety of factors that determine its economic fortunes; some of which can be influenced here in the Yukon and others that are entirely outside of our control.

Global Situation

Change cycles in the global economy are faster and more erratic than in previous generations. The three major drivers of faster change are technology, globalization and the changing role of government in business. The worldwide governance trend has been towards deregulation, privatization and increasing free trade. Within this context, both government and business are players in a more competitive environment.

Businesses around the world are competing to provide the same goods (raw and finished production) and services "anytime, anywhere at increasingly competitive prices".

With these fundamental forces impacting on nations and regions, governments need to continually define and redefine their role in maintaining full employment economies.

The key factor globally is the state of U.S. economy, which has experienced relatively flat economic growth since mid-2001. There are signs in late 2003 that the U.S. economic recovery is well underway and growth in GDP of 3.8% is expected in 2004. A healthy U.S. economy is important to Canada and important to the Yukon. Trade with U.S. is a key component of Yukon's tourism and retail trade sectors. A growing U.S. economy will increase demand for Canadian exports such as minerals and lumber, which in turn could benefit these sectors in the Yukon.

Outside of the U.S., Latin America and Europe are generally forecast to resume modest economic growth after flat performance for the last two years. Asian economies are expected to be lead by China, which is forecast to post 7% plus growth again in 2004. As well, Japan could continue with its modest recovery. Should both the Chinese and Japanese economies grow as expected, Asia as a region could outperform both Europe and North America.

In 2003, the world's economies demonstrated their susceptibility to events such as the SARS outbreak and the invasion of Iraq by U.S. forces.

National Situation

The Canadian economy was battered in 2003 by a series of events including the SARS outbreak, the mad cow case in Alberta, the August power blackout in the eastern U.S. and Canada and the Canada/U.S. softwood lumber dispute. As a result, early year estimates of 3.2% economic growth in 2003 were later downgraded to 2.0%.

The Canadian economy has been boosted by consumption of goods and services, fuelled in large part by low interest rates. Housing in particular has benefited from this trend and has been a major contributor to economic growth. Recent rises in the value of the Canadian dollar present some risks to Canada's exporters of goods and services. Canadian dollar value is expected to decline against the American greenback as the U.S. recovery gathers strength.

Canadians' global competitive position declined in 2003, according to the World Economic Forum. Canada placed 16th on the global growth competitive index in 2003, down from 9th place in 2002. Contributing to this decline were decreased confidence in Canada's public institutions on the heels of SARS, BSE and security issues related to the September 11 response.

Situations in Adjacent Jurisdictions

The Yukon is surrounded by jurisdictions that appear to have significantly different economic circumstances.

- **Alaska's** economy is poised for resource-driven growth after some flat economic performance in recent years. Higher gold and oil prices as well as in-state defence spending are expected to drive growth. Alaska has several promising gold projects and continued, but diminishing, production of Prudhoe Bay oil reserves.
- The **Northwest Territories** has enjoyed stellar economic growth in the last few years,

with the development of two major diamond mining projects generating over $2 billion in direct investment since 1997. The growth of the diamond industry also includes sorting, processing and cutting facilities. Long-term prospects include a third diamond mine by 2007 and the Mackenzie Valley pipeline by 2010.

- **Alberta** is enjoying high commodity prices for oil and gas and is forecast to lead all provinces with 3.5% GDP growth in 2004.
- **Saskatchewan** had one of the top-performing economies in Canada in 2003 and this trend is expected to continue in 2004, due to gains in mining and agriculture.
- **British Columbia's** economy has struggled with weak exports of wood products and the impacts of a series of fires and floods. The province will benefit from an improved U.S. economy and could see growth of 2.8% in 2004.

Yukon Situation

The Yukon remains outside of the prosperity that surrounds it. The territory has not fared as well as any of its immediate neighbours and has generally lagged behind economic performance in Canada for the last several years. Appendix one contains a detailed set of economic indicators, summarized below:

- Yukon's population has decreased by around 10% since 1997. Population losses have been concentrated in the 20-44 age categories, and by men.
- The Yukon economy has shed around 1,900 jobs since June of 1996.
- Yukon's GDP growth rate has lagged the national growth rate in five of the last six years.
- Resource industries, including mining, oil and gas and forestry, have generally seen production declines since 1997. Government, tourism, construction and retail and wholesale trade have all increased as a percentage of GDP.

Many events, positive and negative, have unfolded in recent years that directly affect the Yukon economy and how it operates:

- Most native land claims have been settled, and the remainder could be signed within the next year; many First Nations are now actively

seeking and pursuing economic development opportunities.

- Through devolution, the Yukon Government now manages most natural resources and their attendant regulatory regimes.
- International events such as wars, terrorist activity, trade disputes, SARS, mad cow disease, and natural disasters have had adverse effects on the Yukon economy.
- Yukon's infrastructure has improved markedly with new transportation, telecommunication, health, and recreation and housing facilities.
- Information technology, the Internet and e-commerce have revolutionized many traditional ways of doing business and offer many opportunities to small jurisdictions.
- The proposed Alaska Highway Pipeline could receive a major incentive through the Energy Bill currently before Congress and the Canada-Alaska Railway will likely be studied.
- New development assessment procedures will soon be implemented under the Yukon Environmental and Socio-Economic Assessment (YESEAA) Act.

While the Yukon economy remains comparatively small on a national or global scale, there are assets and strategic advantages that can form a basis of moving the territory's economy beyond its continued dependence on the public sector.

Yukon's Strategic Assets

Despite lagging national economic performance, the Yukon has a good set of economic assets that help define the territory's competitive advantages. These include:

- Physical Infrastructure:
  - The Whitehorse International Airport plus 10 community airports.
  - 4,700 kilometres of all weather roads, more than the NWT and Nunuvut combined
  - A comprehensive broadband telecommunications network connecting 16 of 18 communities.
  - A stable and clean energy system with surplus capacity. Hydro generates over 80% of capacity.
  - Year-round access to ice-free ports in Skagway and Haines Alaska.
- Community Infrastructure:
  - Yukon College provides a wide range of technical and academic programs and has proven adaptable to meet training requirements in response to economic opportunities.
  - The Yukon Arts Centre is an important piece of infrastructure for our cultural industries.
  - The Whitehorse Multiplex will provide the capability to host the 2007 Canada Games and other sporting events as well as enhancing the community amenities that make the Yukon an attractive place to live and work.
  - The Yukon has a modern and comprehensive network of health facilities, in Whitehorse and in the communities.
  - Yukon's public schools offer K-12 education in public, Catholic and French immersion streams.
  - The RCMP, with its national network of support services, provides the Yukon's police services.
- Human Capital:
  - The Yukon hosts one the highest ratios of university degree holders in Canada as well as a high rate of school completion.
  - The Yukon has one of the highest rates of labour force participation in Canada.
  - Yukoners are entrepreneurial with a high rate of self-employment and small business formation.

  The Yukon has a very high rate of volunteerism. Yukoners are very active in their communities and work hard at enhancing the quality of life in the Yukon.
- Government

  No government debt, deficits illegal through the *Yukon Taxpayers Protection Act*

  A highly competitive tax regime, no territorial sales taxes.

  A number of tax incentives, including the Small Business Investment Tax Credit, the Mineral Exploration Tax Credit, the Research and Development Tax Credit and the Manufacturing and Processing Tax Credit.

  A Rate Stabilization Program is in place for energy costs.
- Resources

  Defined deposits of copper, lead, zinc, tungsten and silver and iron ore.

  Gold deposits, both hard-rock and placer.

  Emerald and diamond potential

  Occurrences of asbestos, barite and coal.

  Eight defined oil and gas basins.

  4,500 square kilometres of fresh water.

  281,000 square kilometres of forests.

Appendix one includes a brief description of major economic sectors and key economic projects. This list does not include several other projects that could be announced in the short-term, providing further development potential.

The Strategy Process

The Premier – and Minister of Economic Development – formally launched the process for developing a new economic direction on October 23. Representatives from 13 umbrella organizations formed a key stakeholders group and worked with the Department of Economic Development to develop the strategy during the winter of 2003/04. The list of organizations consulted, as well as the member organizations of the key stakeholders group, is shown in appendix two. We acknowledge their participation and contributions to this process.

In addition to roundtable session, the department met with nearly 100 representatives from 18 organizations over a four-week period. These consultations took place in a one-on-one format in which the organizations met individually with a team of Economic Development staff lead by the Deputy Minister.

The one-on-one consultations were open and relatively unstructured. The organizations shared their visions, issues and suggestions for a new economic strategy openly and constructively. At each meeting, the department shared the following model, as a means to guide discussion towards developing sustainable competitive advantages within the Yukon Economic Direction.

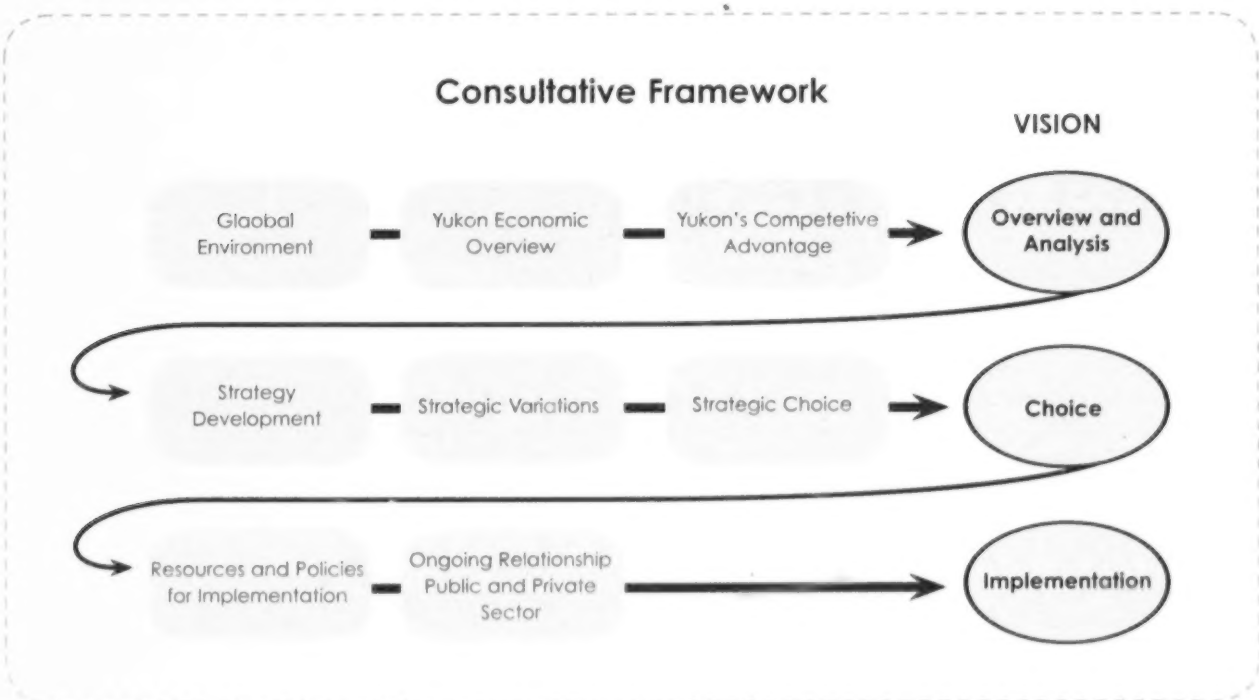
Developing an Economic Direction

Free Enterprise System — **Competive Advantage** — **Strategic Advantage** → **Yukon Economic Direction**

What is our cometetive advantage?
How do we make our cometetive advantage our strategic advantage?
What economic direction do we derive from this?

Key to the consultations was the participation of the business community and the input of Yukon First Nations development corporations. A full-day roundtable attended by representatives of ten First Nation development corporations was insightful and has contributed greatly to this economic direction.

In developing the strategy, the department employed the consultative framework depicted below.



What We Heard

During the course of the consultations, the department heard a large number of comments and a multitude of positive and constructive suggestions for moving the economy forward. In the course of these discussions, some distinct common themes emerged around Yukon's competitive advantages and disadvantages, as well as our needs and opportunities. The department has broadly categorized the inputs on defining Yukon competitive advantages and disadvantages into six core areas, which include:

The key comments concerning the advantages and disadvantages for each of the six theme areas are presented in the following table.

a) Resources

Advantages	Disadvantages
• Yukon landscape – beauty, nature, outdoor recreation opportunities • Quality of life • Some world-class tourism products; potential for more; stable tourism industry • Abundant natural resources – minerals, oil & gas, forests, furs, water • Strong, modern retail sector • Vibrant arts, music and writers community • Flexible small business sector; pockets of energetic entrepreneurship • Several new/innovative products launched recently • Special areas of expertise e.g. northern construction & telecommunications knowledge • Large public sector lends economic stability	• Natural resource development influenced by world trends and commodity prices • Small business is very small; only a few businesses in medium (100+ employees) category – all public utilities • Small manufacturing and processing sector • A number of support products/services need to be imported from Outside • New/innovative products have short track record; most have not yet proven viable over the longer term • Large public sector leads to some business dependence on government which can skew attitudes towards growth and competition • Mega-projects such as Pipeline have costs attached, e.g. infrastructure, social impacts

b) Infrastructure

Advantages

- Transportation and energy infrastructure are adequate for current population and situation
- Telecommunications, health, education and recreation facilities are high quality and current
- Access to high speed Internet; high connectivity by Yukoners
- Infrastructure work provides significant economic benefits
- Proportionately large public sector has resources to move in a particular area when it chooses
- AK Highway Pipeline is close; would provide major economic stimulus
- Access to commercial sea port at Skagway

Disadvantages

- Land availability somewhat limited in Whitehorse by geography
- Lots of bandwidth available, but too costly for most subscribers to use
- Short-term, specialized nature of some infrastructure projects limits local benefits
- Some current infrastructure, e.g. transportation, may not support certain types of economic growth

c) Markets

Advantages

- Although small, local markets are stable and generally support local businesses
- Contiguous areas (e.g. Alaska, northern BC) expand the "resident" market
- Large number of tourists represents an accessible export market
- Some emerging local markets for goods & services, e.g. First Nations governance; IT services
- Large potential for import substitution

Disadvantages

- Small resident market limits potential for a local market base
- Export markets are typically quite distant; can be hard to read and penetrate
- Business export readiness is limited and experience is short
- Federal and international regulatory regimes can pose export challenges

d) Business Climate

Advantages

- Yukon and other governments welcome new business development; positive political climate
- Small, informal jurisdiction appeals to many businesspeople
- No sales tax or accommodation tax

Disadvantages

- Regulatory regime can be onerous, confusing and overwhelming
- Current mentality of many residents is risk-averse, not oriented to growth
- Sources of local capital are extremely limited, e.g. no formal venture capital

- Through devolution, Yukon Government controls most of the regulatory regime
- Land claims are almost complete; FN's are open to business ideas/joint ventures
- Some costs are relatively low, e.g. land, housing, taxes
- Local business support services have gaps
- Many costs are relatively high, e.g. wages, utilities, transport to markets

e) Investment

Advantages

- Opportunities for new investment exist
- Yukon Government offers several investment incentives:
  - Small business investment tax credit
  - Research & development tax credit
  - Manufacturing & processing tax credit
  - Mineral exploration tax credit
  - Film incentives, e.g. labour and travel rebates, no location fees

Disadvantages

- Small size, remoteness, low profile
- Sources of local capital are extremely limited, e.g. no venture capital; heavily dependent on chartered banks
- No local trust company services
- Difficult for FN's to attract private investment because of different risk factors in such areas as collateral, bonding, insurance issues; all of these affect return on investment expectations

f) Capacity

Advantages

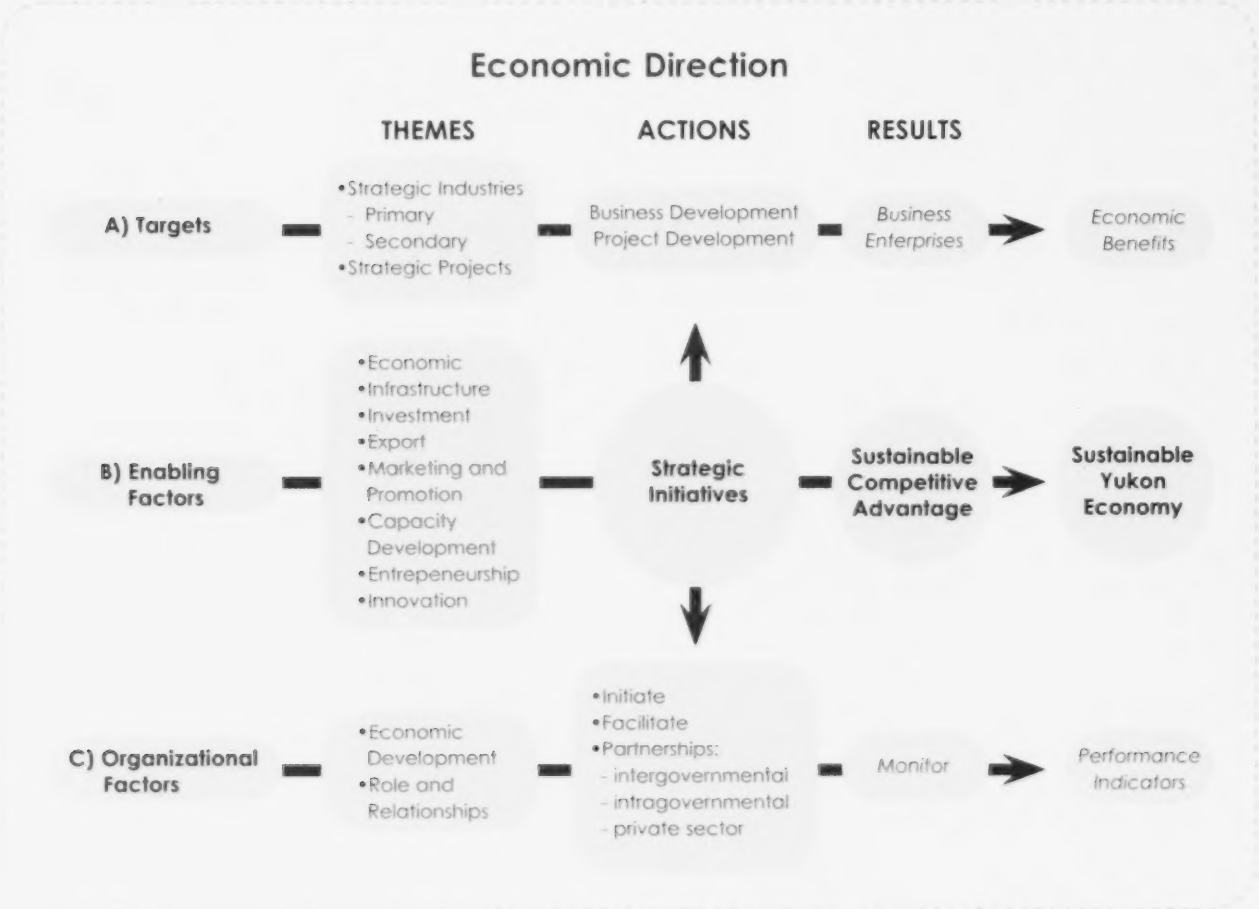
- Highly educated labour force
- Good educational institutions and facilities that try to respond to industry and community needs
- Notwithstanding skill shortages, labour force is generally strong and flexible
- Many major sectors have prepared human resource and training strategies
- Exportable expertise in such areas as rural and remote construction; mining services Shortage of skilled people including trades (which is the case across Canada)

Disadvantages

- Shortage of skilled people including trades (which is the case across Canada)
- Aging workforce (similar to most of North America – the Baby Boomer phenomenon)
- Many businesses lose qualified people to government's higher wages
- Many sectors need staff training and upgrading to improve service/delivery
- First Nations currently have limited capacity in economic development

Yukon's sustainable competitive advantages are assets that will form the basis for defining our economic direction. Competitive disadvantages include areas that can be addressed or mitigated in developing an economic direction, in turn enhancing Yukon's sustainable competitive advantage.

The department further analyzed the input received to develop a framework for establishing an economic direction. This framework is described graphically above and is discussed more thoroughly in the subsequent chapters.



Targets for Economic Development

The department will focus mainly on two targets: strategic industries and strategic projects. These two targets represent the areas in which significant economic growth can be realized, and where government support can generate the greatest return. The department will, of course, work with and support many business partners and clients to enable them to participate in economic growth. Its strategic approach is to focus on those key areas that offer the greatest potential gains to the overall economy.

Strategic Industries

Strategic industries are those that have strategic importance to Yukon's economy and have "imminent potential" to grow and thereby contribute to increases in Yukon's GDP. Industries and sectors proceed through well-defined phases of maturity and cycles of growth. Each phase or cycle generally offers different opportunities and has different needs for growth. The aim is to work with organizations and businesses, both large and small, which make up these strategic industries.

Current Situation:

- Primary industries are the drivers of economic growth. In Yukon, they are export-oriented, that is, they focus mainly on markets outside the territory; most resource industries fall into this category.
- Secondary and tertiary industries or sectors flow mainly, but not exclusively, from primary activity:
  - Includes service sectors, e.g. food and accommodation, retail
  - Can represent "value added" to resource extraction – generating local economic impacts
  - Yukon has strong services, e.g. construction, transportation, retail
- Cultural industries, manufacturing and construction are a hybrid that contain elements of both primary and secondary industries.
- Yukon is traditionally associated with resource industries such as mining, trapping and forestry. Although resource activity is flat at present, Yukon's natural resource base remains a significant asset.
- Tourism is a traditional and strong primary sector of the economy.
- Emerging sectors such as oil and gas and information technology have imminent potential.
- We need to diversify the economy to offset the pronounced cycles of most resource extraction and secure more sustainable, long-term, year-round activity.

- Most industry organizations have development strategies but need help (e.g. resources and coordination with government agencies) to implement them. Many organizations have established technical relationships with allied Yukon government agencies (e.g. in tourism, mining, oil and gas) but would benefit from an added economic focus on their development plans.
- We need to add value to primary industries through expansion of Yukon-based services, processing and manufacturing.

Approach:

Government appreciates that a number of industry organizations are well-organized and have development plans in place but may require assistance to implement the plans. Furthermore, government supports the principle of industry providing leadership in development matters and delivering support services on behalf of their members. Working with other government agencies, the department's role should focus on industry economic (as opposed to technical) factors; support appropriate industry initiatives aimed at economic growth; and help to identify and remove barriers to improving performance.

General Initiatives:

- Promote the development of primary and secondary industries.
- Focus on diversifying the economy by encouraging sustainable and long-term economic activity.

- Work to identify economic growth potential and key success factors within individual industries/ sectors
- Assist industry-based organizations and relevant government departments, to implement strategies that aim to grow their sectors, strengthening their competitiveness.
- Encourage export activities within these industries by developing capacities, incentives.

Strategic Projects

Strategic projects are those that hold strategic importance to economic development; that is, they not only have potential to provide an immediate economic stimulus, they also have potential for secondary benefits. These downstream benefits may include purchases of local goods and services, opening up new export markets, or creating an "icon" that will attract further investment. They include public and private sector as well as joint initiatives. They are typically projects with potential for significant economic or regional benefits.

Current Situation:

Yukon currently has several projects in this category that are proceeding, namely Whitehorse Waterfront Development and the 2007 Canada Winter Games. Examples of major project proposals include the Four Mountains Resort proposal by the Carcross Tagish First Nation. Potential strategic projects would include a major tourist attraction or mine.

Approach:

The Yukon government needs to encourage and support such projects, and work to ensure that maximum economic benefits are realized. We can provide a contact and focal point within government that ensures a positive introduction to the territory and a receptive advocate for appropriate development.

General Initiatives:

- Identify strategic opportunities for business projects to benefit Yukon's economy.
- Promote and work with stakeholders and partners to make projects happen.
- Facilitate closure by supporting stakeholders through government policy and approval processes.

Enabling Factors

Economic Infrastructure

This term refers to both the business climate and the physical infrastructure of an area. Business climate includes the relevant regulatory framework and the many intangible factors that make up the business environment. These may include governments' and residents' receptiveness to business development; incentives and disincentives; and prevailing opinions of risk, entrepreneurship and free enterprise.

Physical infrastructure refers to the public installations, services and institutions expected in modern communities. These are tangible assets in such areas as energy, transportation, telecommunications, health, education and recreation. Assessments of infrastructure typically refer to the state and quality of the assets, their capacity, potential for expansion, and relevance to various economic development initiatives.

a) Business Climate

Current Situation:

- Private sector consistently emphasized that the critical factor in creating a positive business climate is the regulatory regime. Most business people feel that the current regime is a significant hurdle for many ventures, including environmental permitting for resource projects.
- Over the past decade, all levels of government (including First Nations through land claims) have created a complex web of regulations and regulatory procedures. Criticisms include lack of clarity, poor scientific base, no known timelines, poor communications, and a perceived bias towards "doing nothing."
- This situation has contributed to a slow-down in resource activity, e.g. mining and forestry, despite increased activity in adjacent areas during the same period.
- Regulations themselves are not necessarily the problem. The lack of clarity and the vague timelines around implementation of regulations are "unknown" factors and therefore a risk to investors.
- Yukon government has sufficient capacity and resources to create incentives and disincentives that could help to guide economic growth.
- Industry needs reasonable certainty about government's role and intentions so that the private sector is free to focus on growth within known parameters.
- Devolution and land claims can foster a climate of investment certainty.

Approach:

The Yukon government recognizes the need to provide clarity and certainty in its regulatory regimes. Devolution provides an opportunity to develop a made-in-Yukon approach that is straightforward, clear and re-ponsive while protecting citizens and the environment. New rules and commitments – such

as those related to land claim settlements and *Yukon Environmental and Socio-Economic Assessment Act* (YESAA)– must of course be taken into account.

General Initiatives:

- Assess the competitiveness of our regulatory regimes against others in Canada and internationally.
- Work to improve our regulatory competitiveness through a transparent regulatory regime with timelines for agency responses.
- Ensure that government sends a consistent and effective message that investment and development are welcome in the Yukon.
- Pursue and support a business environment in which the private sector is encouraged to focus on growth within known parameters.
- Promote a "can do" culture.

b) Physical Infrastructure

Current Situation:

- Physical infrastructure is an essential component of most economic development projects. As the primary provider of infrastructure, the Yukon government recognizes the role that infrastructure plays and considers it an important economic development tool.
- Yukon's infrastructure is generally current and adequate to support the existing economy as well as a somewhat larger population. Large-scale growth would, however, put immediate pressure on physical infrastructure.
- Stakeholders note that expansion or upgrading may be required to meet new growth needs; for example, we have an energy surplus now but may need additional energy to meet the demands of a new mine or other large projects.
- Current infrastructure issues include:
    - The Alaska Highway Gas Pipeline status; a pipeline would provide major economic stimulus although certain costs are attached. A clear "green-light" remains elusive;
    - The Alaska-Canada Railway will likely be studied; it has potential to increase the viability of resource and other major projects;
    - The need to increase broadband capacity and make the cost to business competitive with other areas;
    - Specific infrastructure may be required in support of some major projects.
- Yukon's high per-capita investment in infrastructure is a competitive advantage as we seek to attract new development and new investment to the territory.

Approach:

Government recognizes the important role that physical infrastructure plays in economic development. Furthermore, we recognize that the Yukon government is a primary custodian of most physical infrastructure in the territory. We have the capability to plan infrastructure in ways that support and even stimulate economic development. Decisions about infrastructure scope and priorities need to take economic factors into account. We need to develop tools to assess our infrastructure capabilities and incorporate economic needs into infrastructure planning.

General Initiatives:

- Assess the territory's infrastructure and ensure that it expands to meet the needs of economic growth.
- Continue to promote Yukon's involvement in such prospective infrastructure projects as AK Highway Pipeline and AK-Canada Railway.
- Review the infrastructure needs of major private sector projects, commensurate with the economic significance of those projects.
- Work to increase broadband capacity and advocate to make it affordable for subscribers.

Investment

Investment and capital fuel economic growth. Without capital, even the best business ideas or development concepts can go nowhere. In a small jurisdiction such as Yukon, local sources of capital are quite limited. Outside investment is therefore critical to growth, particularly for major projects.

Current Situation:

- Yukon's set of economic assets and advantages can attract investment. Our good quality of life contributes to this endeavour but is not sufficient in itself to attract investment; a more pro-active approach is needed.
- Access to capital is limited in Yukon. There are no organized venture capital or non-bank finance institutions present; financing sources are limited; business is heavily dependent on local chartered banks and personal investment to finance growth.
- This lack of investment is currently seen as a competitive disadvantage.
- Present programs such as investment tax credits and venture loan guarantees provide some assistance but within quite a narrow scope.
- First Nations face unique financing challenges in such areas as providing security, meeting insurance requirements, and others. Joint venturing is a promising approach, particularly with First Nations; it needs appropriate, flexible financing arrangements to be effective.
- We need to expand access to capital, attract outside investment, and design programs to meet the current financing needs of industry.
- The vast majority of stakeholders feel that government subsidies (grants or interest-free loans) should not be offered to business; other methods of attracting and channelling investment are preferred.

Approach:

Government's first responsibility in attracting investment is to establish a positive and receptive economic environment. More specifically, government can be pro-active by actively marketing Yukon as a good place to do business; building links with prospective investors and sources of capital; addressing any policy or other barriers to investment; and supporting specific initiatives in the field.

General Initiatives:

- Review all existing programs and activities aimed at attracting investment, to assess their effectiveness in securing local and outside investment, and identify possible program or policy improvements.
- Identify specific strategies to seek outside investment, and methods to improve access to capital on the part of Yukon businesses.
- Encourage and facilitate links between desirable Yukon projects and potential outside investors.
- Advocate solutions for the unique financing challenges faced by First Nations in their economic development ventures.
- Solicit, encourage and facilitate joint ventures through improved communications and support of potential ventures.
- Market the Yukon as a good place to invest through such mechanisms as trade missions, marketing support materials, responding to inquiries, and others.

Export

Real business growth depends heavily on developing new markets for products and services. With its small resident markets, Yukon must look to exports or import substitution to grow its economy.

Current Situation:

- Although more than 30 Yukon firms now export, the scale is relatively small and experience brief. Most firms find that export marketing is far more complex, challenging and expensive than domestic marketing.
- E-commerce makes export markets more accessible, but businesses that market through e-commerce still require market intelligence and must be export-ready. Conversely, e-commerce can also facilitate leakages and encourage importing.
- Yukon has a competitive advantage in several knowledge and service areas, e.g. northern construction, transportation and telecommunications; and First Nation governance

Approach:

Government is in a position to provide such support as representation and communications, and lend credibility to business efforts. Some businesses with competitive products or services face a significant challenge in accessing export markets. Government can provide "incubator" type advice and support, which is particularly valuable in the early stages of identifying likely markets and getting export-ready. The "Yukon brand" has proven to be an advantage in this regard.

General Initiatives:

- Scan market research and trends, and provide ongoing market information assistance to the business community.
- Assist businesses to identify, access and develop export markets, and to substitute local sources for imported products and services.
- Help identify and promote products and services where Yukon firms have or can develop a sustainable competitive advantage.
- Examine the possibility of financially assisting businesses and business partnerships to pursue export markets, and providing counselling and advice.

Marketing and Promotion

Marketing takes many forms in the field of economic development, ranging from broad-based promotion of "the Yukon brand" to individual business marketing activities. It is an important function both to attract investment to the territory (as discussed in Section 5.3) and to access and develop export markets. Industry and government can be effective partners in export marketing.

Current Situation:

- Stakeholders emphasized the need to aggressively market and promote Yukon's economic advantages to potential investors in the national and international business communities.
- Many stakeholders feel that the former trade and investment fund was valuable in providing marketing and exporting advice and financial help for business.

General Initiatives:

- Develop materials and networks and participate in forums to market the Yukon as an attractive and strategic place to do business and to invest.
- Examine the possibility of establishing a fund to assist individual businesses and organizations to market their products and services.
- Develop and promote the "Yukon Brand".

Capacity Development

Capacity is the capability of the population to effectively engage in economic activity. It refers to the full range of skills and abilities required to conceive, launch and operate business enterprises, as well as the capabilities of public agencies to enable and support economic growth.

Current Situation:

- Many industries (tourism, cultural industries, information technology sector) have identified needs for skill development. Many of the shortages and needs are similar to the national situation and stem from such factors as an aging labour force and increased demand for skilled workers in some sectors.
- Industry needs development of management skills to make good decisions and to grow and create new businesses. Entrepreneurs often find it takes different skills to manage a business after its start-up phase.
- Business owners frequently would benefit from advice or counselling to expand or diversify, pursue new export markets, arrange financing, and so on.
- Following their land claims settlements, most First Nations, and their development corporations, want to invest their funds and create economic opportunities and ongoing revenue. They face challenges with few regional opportunities and venture financing. Many would like to develop additional administrative and business capacity in order to go forward.

Approach:

We need to enable Yukoners to engage in the economy, whether in a skilled job, a small business or a joint venture. Capacity development demands a cooperative approach. Educational institutions and training programs must be responsive to industry needs. Many sectoral associations are taking a lead role in this area but require support to implement their plans. Individual businesses have to find ways to develop their staff, rather than relying entirely on recruitment or public programs to meet their staffing needs. Government can assist industry's efforts through planning, coordination and implementation support.

General Initiatives:

- Facilitate assessment of skill shortages across all sectors, and assist industry to meet its identified needs for skill development.
- Enhance business management skills.
- Find ways to attract skilled workers and entrepreneurs to the territory.
- Identify ways to offer effective counselling and advice to entrepreneurs and business owners seeking to expand, pursue export markets and arrange financing.
- Through consultation and study, determine ways to remove barriers and meet the specific needs of First Nation development corporations to develop their business and administrative capacity.
- Find mechanisms to share success stories and lessons learned, exchange ideas, and learn from each other. Many participants in the meetings remarked on the value of regularly sharing such information.

Entrepreneurship

Entrepreneurs are the people who conceive and launch new business ventures. Historically, entrepreneurs, from the Klondike Gold Rush to present day, have developed Yukon's economy. This theme is closely aligned with capacity development – the need to build the stock of entrepreneurs and the spirit of entrepreneurship.

Current Situation:

- We need an entrepreneurial culture – an environment in which risk-taking is encouraged and positively acknowledged.
- Many stakeholders say that risk-averse and protectionist attitudes are prevalent in some areas and need to change.
- Yukon produces many talented young people. The vision of many residents includes an economy in which young Yukoners have choices about jobs and careers, and opportunities to start business ventures of their own.
- Youth entrepreneurship has particular needs, typically in the area of learning business fundamentals – the knowledge to plan, harness and market their ideas.

Approach:

Yukoners must continue to develop and support the entrepreneurial spirit that built the territory and encourage a new generation of entrepreneurs to go forward. Government recognizes entrepreneurship as an important factor in developing the Yukon economy. We will work with the private sector and related organizations to promote, encourage and support entrepreneurship.

General Initiatives:

- Promote an environment in which business risk-taking is supported and acknowledged.
- Find ways to attract entrepreneurs to the territory.
- Identify ways to encourage and support entrepreneurship in appropriate ways, with a particular emphasis on young entrepreneurs.

Innovation

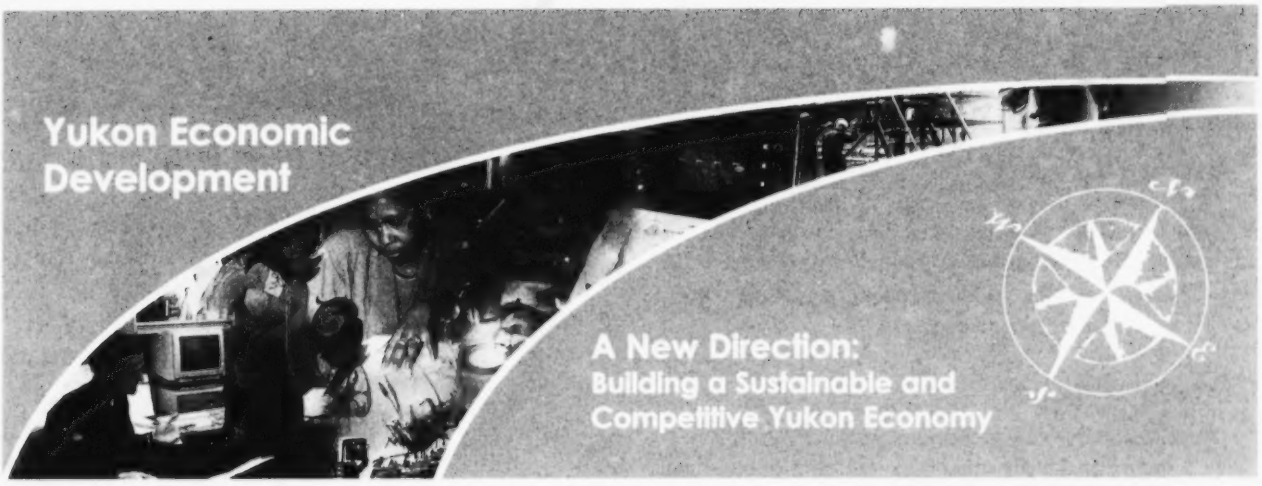
Innovation is about making or doing things better – more effectively, for less cost, to produce greater benefits to more people. It is not restricted to the economic field, of course, but it can increase the productivity and capacity of business and enhance its competitiveness. Innovation is part of Canada's strategy to become more competitive.

Current Situation:

- Innovation holds potential to enhance competitive advantages for Yukon business. There are numerous examples of innovation in Yukon industries and businesses.
- A Canada-wide priority is to encourage innovation in all sectors.
- The Yukon Innovation Action Plan (www.yukoninnovation.ca) focuses on innovation as a method of enhancing economic activity. The Yukon government has endorsed and participates in this plan, with the department of Economic Development as the lead agency. We need to ensure that this plan proceeds.

Approach and Initiatives:

- The Yukon government will encourage innovation in all sectors of the economy.
- Seek out opportunities to promote and incorporate innovation in all economic development initiatives.



Organizational Factors

The Department's Role and Relationships

What is to be the department's role within and outside government as it pursues its mandate? How the department operates and how it relates to private sector stakeholders and its contemporary public agencies will determine to a great extent how it adds value to the process of economic revitalization. Many comments during the meetings pointed to the need for coordination and leadership within government on economic matters.

Current Situation:

- The new department's structure is established and it has a mandate to be the Yukon government's "quarterback" on economic development issues.
- Most key relationships are presently in the early stages of development, including those with other departments and agencies; First Nations; the private sector; and regional, national and international contacts.
- Stakeholders desire an Economic Development department that will have an effective role and structure, with the department to advocate, integrate and coordinate economic development themes and direction.
- There is a need for government to facilitate and support an environment conducive to economic growth.
- Government and the private sector need to work together as partners and to develop and embrace their competitive advantages to achieve economic growth.
- The public and private sector require organizational mechanisms that support a strong ongoing relationship.

Approach:

The Yukon's economic development mandate is spread across a number of departments, agencies, governments and organizations. The Yukon government can create opportunity from its relative small size and flexibility to improve internal communications and coordination around economic development. We must be innovative in management style and in our relationships. We will work closely with the private sector to facilitate development. We will directly support private sector activities through research, planning and facilitation. We have structured the Department of Economic Development accordingly, as the graphic chart of functions below indicates.

General Initiatives:

- The department will fill the role of "quarterback" or lead agency for economic integration and coordination within government and of facilitator of private sector economic activity.

- The department will build ongoing working relationships with other departments, First Nations, private sector, and regional, national and international contacts
- The department will support private sector and the development process through research, facilitation and advocacy; and helping to develop areas of strategic competitive advantage.
- Initiate, facilitate and support in each of the identified Enabling Factors described in this document.
- Establish a meaningful way to include our key stakeholders in the process of developing the Economic Direction.
- Establish a senior-level interdepartmental committee for economic development.

Department of Economic Development Branches and Functions

ECONOMIC DEVELOPMENT

Investment, Trade and Business Development	Strategic Industries Development	Regional Economic Development	Policy Planning and Research	Corporate Services
• Trade and export promotion • Investment facilitation • Business development	• Non-renewable industries • Renewable industries • Cultural industries/ tourism • Information and Communication Technologies • Strategic projects	• First Nations economic development • Regional economic plans • Project facilitation • Community economic development	• Economic research • Analysis • Business case analysis • Economic planning • Policies • Strategies • Program development • Legislative instruments • Legislative support • Communications	• Financial • Human resources • Accounting • Systems • Records management • Library services
Film Commission		**Community Development Fund**		**Business Incentive Program**

Implementing the New Direction

Implementation requires a shift from thinking to doing. This paper describes broad direction and an array of initiatives linked to our guiding principle of developing sustainable competitive advantage. In the implementation stage, we need to translate those initiatives into action. That process requires resources and activity. In some cases, initiatives will require specific program and project planning before implementation occurs. In others, the department will proceed with implementation within a short period. In all cases, it is important to remember that this is not intended as a "quick fix" to Yukon's economic situation. Rather, it is the beginning of a process of building competitive advantages for economic growth with long-term benefits.

Current Situation:

- The Department's budget is approved, its structure is set, and its staffing is expected to be substantially complete by spring 2004.
- Key stakeholders have contributed to this economic direction and have indicated a willingness to participate in the on-going process.
- A priority is to establish organizational mechanisms and initiatives to achieve economic development.

Action Items:

All partners in economic development will act, foster and support implementation of this Economic Direction. The Department of Economic Development actions include the following:

- Implement and facilitate the initiatives.
- Establish a business council or similar body as a mechanism for ongoing relationship and consultation between government and the private sector on economic development issues and directions.
- Prepare a set of indicators that monitor progress and to ensure that our actions are effective in achieving sustainable economic growth over time.

A summary of the key themes and the initiatives to implement are included in the following table:

Summary of General Initiatives

Strategic Industries

- Promote the development of primary and secondary industries.
- Focus on diversifying the economy by encouraging sustainable and long-term economic activity.
- Work to identify economic growth potential and key success factors within individual industries/sectors
- Assist industry-based organizations and relevant government departments, to implement strategies that aim to grow their sectors, strengthening their competitiveness.
- Encourage export activities within these industries by developing capacities, incentives.

Strategic Projects

- Identify strategic opportunities for business projects to benefit Yukon's economy.
- Promote and work with stakeholders and partners to make projects happen.
- Facilitate progress by supporting stakeholders through government policy and approval processes.

Infrastructure – Business Climate

- Assess the competitiveness of our regulatory regimes against others in Canada and internationally.
- Work to improve our regulatory competitiveness through a transparent regulatory regime with timelines for agency responses.
- Ensure that government sends a consistent and effective message that promotes investment and development in the Yukon.
- Pursue and support a business environment in which the private sector is encouraged to focus on growth within known parameters.
- Promote a "can do" culture.

Infrastructure – Physical Infrastructure

- Assess the territory's infrastructure and ensure that it expands to meet the needs of economic growth.
- Continue to promote Yukon's involvement in such prospective infrastructure projects as AK Highway Pipeline and AK-Canada Railway.
- Review the infrastructure needs of major private sector projects, commensurate with the economic significance of those projects.
- Work to increase broadband capacity and advocate to make it affordable for subscribers.

Investment

- Review all existing programs and activities aimed at attracting investment, to assess their effectiveness in securing local and outside investment, and identify possible program or policy improvements.
- Identify specific strategies to seek outside investment, and methods to improve access to capital by Yukon businesses.
- Encourage and facilitate links between desirable Yukon projects and potential outside investors.
- Advocate solutions for the unique financing challenges faced by First Nations in their economic development ventures.
- Solicit, encourage and facilitate joint ventures through better understanding and support of potential ventures.
- Market the Yukon as a good place to invest through such mechanisms as trade missions, marketing support materials, responding to inquiries, and others.

Export

- Scan market research and trends, and provide ongoing market information assistance to the business community.
- Assist businesses to identify, access and develop export markets, and to substitute local sources for imported products and services.
- Help identify and promote products and services where Yukon firms have or can develop a sustainable competitive advantage.
- Examine the possibility of financially assisting businesses and business partnerships to pursue export markets, and providing counselling and advice.

Marketing and Promotion

- Develop materials and networks and participate in forums to market the Yukon as an attractive and strategic place to do business and to invest.
- Examine the possibility of establishing a fund to assist individual businesses and organizations to market their products and services.
- Develop and promote the "Yukon Brand"

Capacity Development

- Assess skill shortages across all sectors, and assist industry to meet its identified needs for skill development.
- Enhance business management skills.
- Find ways to attract skilled workers and entrepreneurs to the territory.
- Identify ways to offer effective counselling and advice to entrepreneurs and business owners seeking to expand, pursue export markets and arrange financing.
- Through consultation and study, determine ways to remove barriers and meet the specific needs of First Nation development corporations to develop their business and administrative capacity.
- Find mechanisms to share success stories and lessons learned, exchange ideas, and learn from each other. Many participants in the meetings remarked on the value of regularly sharing such information.

Entrepreneurship

- Promote an environment in which business risk-taking is supported and acknowledged.
- Find ways to attract entrepreneurs to the territory.
- Identify ways to encourage and support entrepreneurship in appropriate ways, with a particular emphasis on young entrepreneurs.

Innovation

- The Yukon government will encourage innovation in all sectors of the economy.
- Seek out opportunities to promote and incorporate innovation in all economic development initiatives.

Economic Development Roles and Relationships

- The department will fill the role of "quarterback" or lead agency for economic integration and coordination within government and of facilitator of private sector economic activity.
- The department will build ongoing working relationships with other departments, First Nations, private sector, and regional, national and international contacts
- The department will support private sector and the development process through research, facilitation and advocacy; and help to develop areas of strategic competitive advantage.
- Initiate, facilitate and support each of the identified *Enabling Factors* described in this document.
- Establish a meaningful way to include our key stakeholders in the process of developing the Economic Direction.

Next Steps

The department will continue to develop and refine the Economic Direction, and will include the following:

- A review and analysis of existing sector development strategies to determine how well they mesh with the Economic Direction and to assess any gaps that may exist.
- A detailed assessment of the Yukon competitive advantages, including our regulatory competitiveness with other jurisdictions.
- Organizing a senior-level interdepartmental economic development committee to foster an integrative, cohesive and cooperative approach.
- Organizing, with our private and public sector stakeholders, a Yukon coalition for economic development whereby stakeholders remain engaged with government in economic development.
- A shift from direction to action that considers:
  - Immediate actions to produce near-term results.
  - Medium-term actions that could produce results within three years.
  - Strategic, long-term initiatives that are targeted at major projects and goals with sustainable benefits.
- Developing Program Funds for marketing/export incentives, strategic project/industry initiatives, and regional economic development (including First Nations).
- Meet with First Nations, other government partners and regional or sector-specific committees to discuss projects and industries as required.
- A way of measuring progress on our objectives.

In Conclusion

Yukon has abundant resources, talented and resilient people, and a high quality of life. With these attributes, we have the wherewithal to grow our economy. We have sufficient competitive advantages in the territory to build a strong, sustainable economy that is grounded in private sector initiatives.

Through our numerous meetings, the private sector has told us that we need to:

- Focus on the big picture rather than the details of economic development;
- Get our regulatory house in order and develop a positive business climate;
- Attract outside investment;
- Get beyond protectionist and risk-averse attitudes, and assist our people to compete in world markets;
- Orient government activities towards instead of away from development;
- Aggressively market our products, services, industries, businesses and location;
- Position the department of Economic Development to be an effective proponent for economic development within and outside of government.

We heard these messages and translated them into economic directions. The direction we describe for revitalizing the Yukon economy is straightforward and based on the principle of developing a sustainable competitive advantage:

1. Target: Strategic industries and projects
2. Work on Key Enabling Factors:
    - Shape economic infrastructure to encourage development:
        - Business climate
        - Physical infrastructure
    - Aggressively seek outside investment
    - Develop capacity of the population to engage in economic activity
    - Encourage entrepreneurship
    - Market exports
    - Support innovation
3. Organize and Implement:
    - Department of Economic Development facilitates the process through working relationships:
        - Within government
        - With private sector
        - In and outside Yukon
    - Prepare specific program plans to move initiatives forward

By pursuing this economic direction, Yukoners will see the benefits of a strong, sustainable and healthy economy.

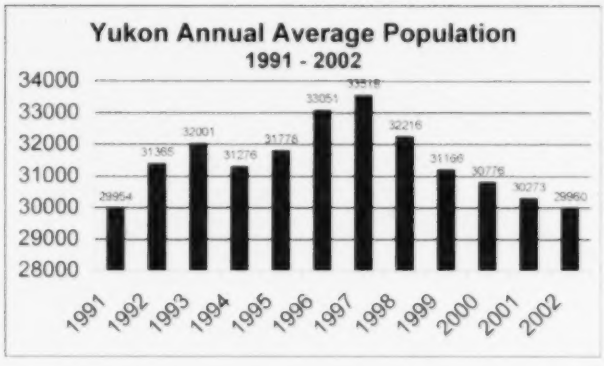
Appendix 1

Yukon Economic Indicators

Population

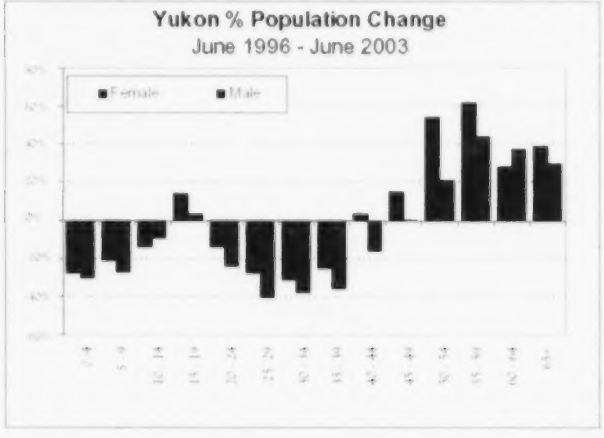
The Yukon's population has decreased by about 10% since 1997 while the Canadian population has increased by around 5% over the same period.

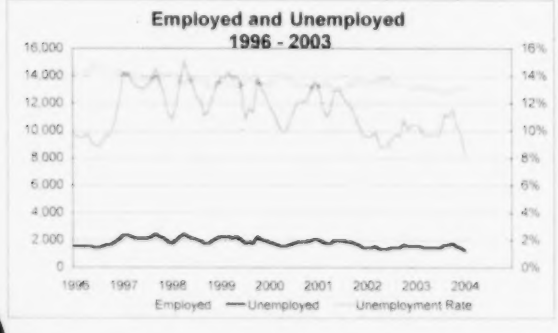
Population losses have been concentrated in Yukoners aged 50 or under, which have declined by 20% since 1996. The number of Yukoners over 50 has increased by 30% in the same period. The population losses have also been concentrated in males at a ratio of around 2:1.



Employment

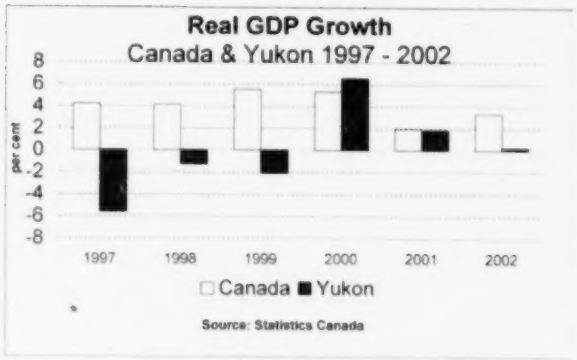
The Yukon economy has shed 1,900 jobs since June of 1996. The bulk of these job losses have occurred in the mining sector while minor job growth as been experienced in the information, culture and recreation; accommodation and food, and management and administration categories. The job losses have also been concentrated almost entirely men.

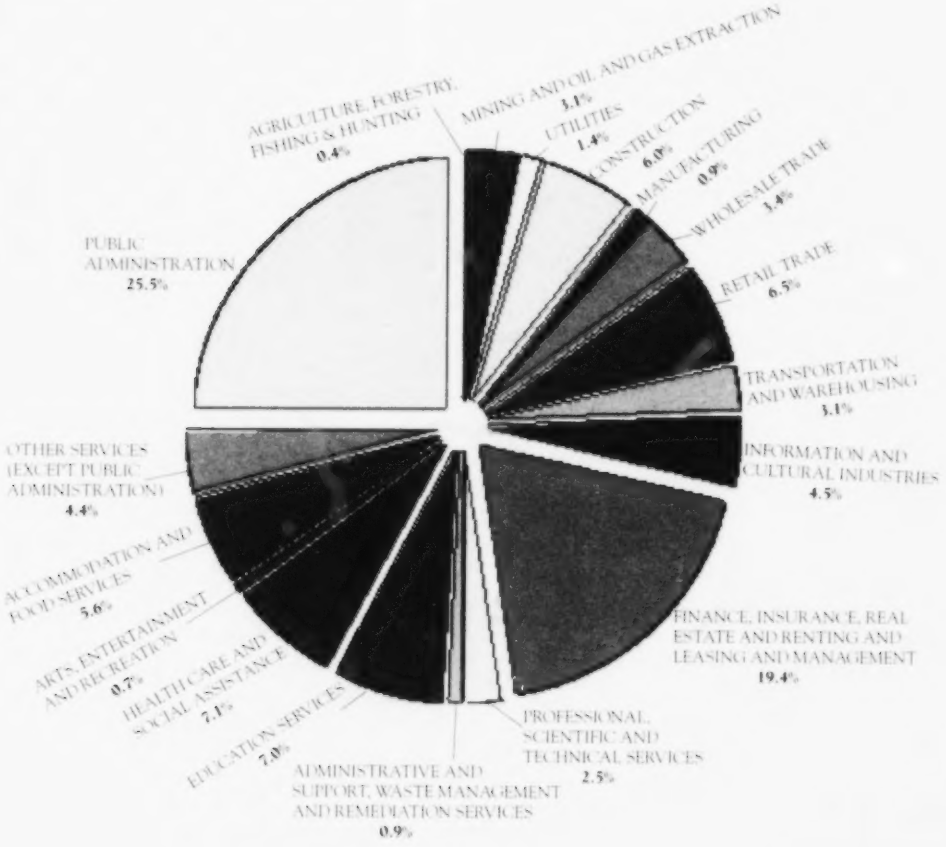




Economic Output

Economic growth rates in the Yukon are historically volatile, and have often been "first or worst" amongst Canadian jurisdictions. Following the Faro mine closure, GDP fell from 1997 to 1999 and has grown modestly since then. Yukon's GDP growth has lagged the national growth rate in five of the last six years.



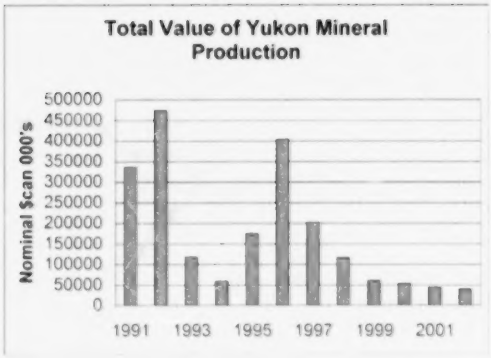

AGRICULTURE, FORESTRY, FISHING & HUNTING 0.4%
MINING AND OIL AND GAS EXTRACTION 3.1%
UTILITIES 1.4%
CONSTRUCTION 6.0%
MANUFACTURING 0.9%
WHOLESALE TRADE 3.4%
RETAIL TRADE 6.5%
TRANSPORTATION AND WAREHOUSING 3.1%
INFORMATION AND CULTURAL INDUSTRIES 4.5%
FINANCE, INSURANCE, REAL ESTATE AND RENTING AND LEASING AND MANAGEMENT 19.4%
PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES 2.5%
ADMINISTRATIVE AND SUPPORT, WASTE MANAGEMENT AND REMEDIATION SERVICES 0.9%
EDUCATION SERVICES 7.0%
HEALTH CARE AND SOCIAL ASSISTANCE 7.1%
ARTS, ENTERTAINMENT AND RECREATION 0.7%
ACCOMMODATION AND FOOD SERVICES 5.6%
OTHER SERVICES (EXCEPT PUBLIC ADMINISTRATION) 4.4%
PUBLIC ADMINISTRATION 25.5%

Economic output in 2002 was dominated by the public administration sector at 25.5% of GDP. Education services along with health care and social assistance, composed mainly of government activities, contributed a further 7.0% and 7.1% respectively. The public sector directly contributes over 35% of Yukon's output with a significant, but un-quantified, indirect contribution as well.

Yukon Economic Sectors

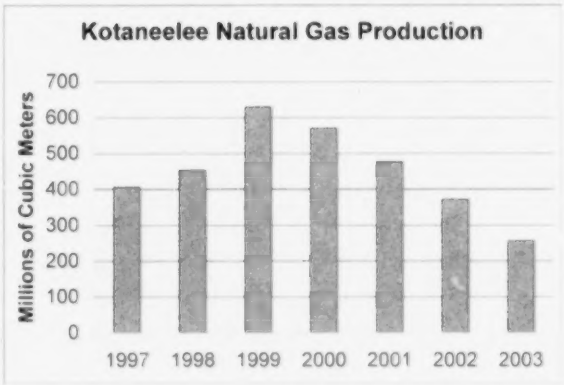
Mining

The value of Yukon mineral production has fallen significantly since the Faro and Brewery Creek mine closures. Placer gold production now accounts for virtually all mineral output in the territory. Looking forward to 2004, there in an increased sense of optimism in the industry for higher levels of exploration and the potential of development, particularly for gems.



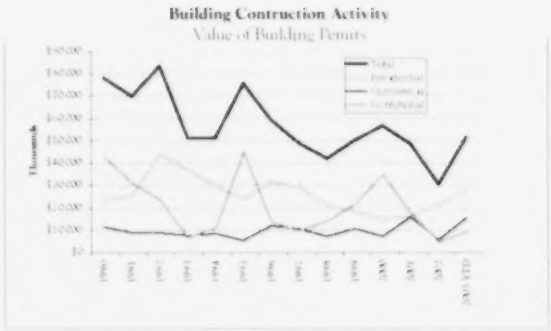
Oil and Gas

Yukon's oil and gas sector remains small but has a large potential to contribute, especially if the Alaska Highway Pipeline is developed. The Kotaneelee field in SE Yukon remains Yukon's sole producer, with two wells producing 370 million m^3. The project now has a declining production profile, after being ranked among the most productive wells in Canada. New exploration, investment and development are required to achieve the potential of this sector.



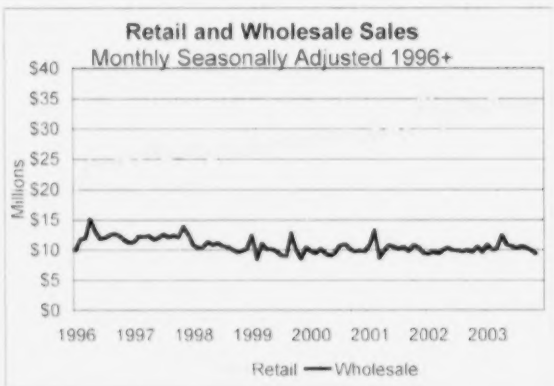
Construction

Yukon's construction sector is highly variable and contributes around 8.5% of GDP. The low interest rate environment of the last few years has boosted commercial and housing development. Planned Canada Games construction activity will provide benefits over the next few years and the Yukon will receive over $44 million in federal government infrastructure funding over the next 3 years.



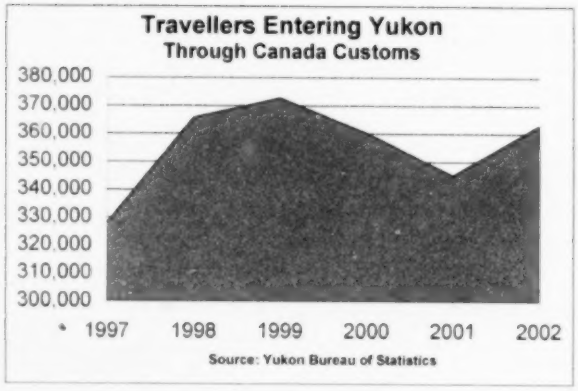
Retail and Wholesale Trade

Increased consumer spending, together with business investment and government spending, has kept the Yukon economy growing. Greater retail capacity and favorable exchange rates have positioned Whitehorse as a regional supply center for parts of south-east Alaska, northern BC and the Yukon. Retail sales have increased in the Yukon for 11 straight years.



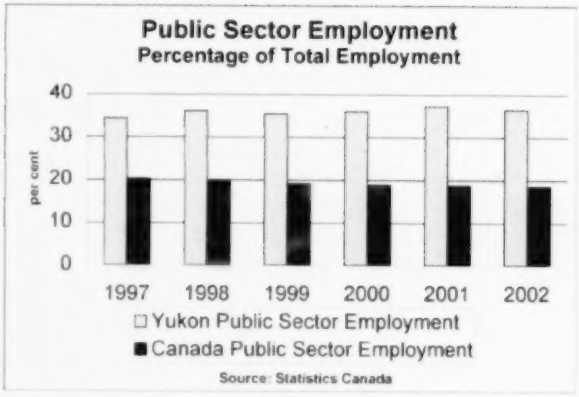
Tourism

Yukon's tourism sector contributes around 5% to GDP and generates 8% of employment in the Yukon. The contribution of tourism to GDP in the Yukon is the highest among all Canadian jurisdictions. Tourism accounts for the bulk of Yukon's exports at around $100 million annually. Tourism has potential for growth in maximizing value-added and spending of visitors, increased linkages with other sectors and in promoting niche areas.



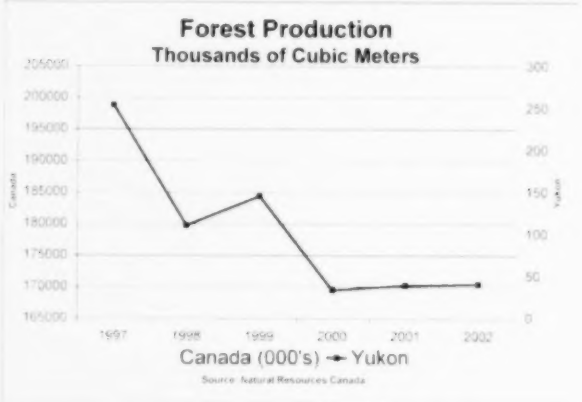
Government

Government spending directly contributes over 35 per cent to GDP while one in three Yukon workers is directly employed by government. Government's role in the economy has increased as other sectors have declined, and conversely, government's role will diminish as the economy grows. Around 80 per cent of YTG revenues are from federal transfers, as the Yukon government depends on federal transfers and is vulnerable to changes in federal funding.



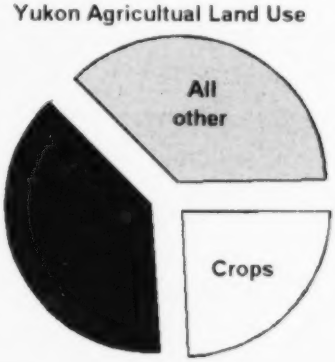
Forest Sector

The Yukon's forest sector has been impacted by regulatory uncertainties, a lack of secure forest tenures, the Canada/U.S. softwood dispute and low commodity prices in recent years. Forest production has declined by 84 per cent since 1997 as the closure of the two major milling operations affected production. Growth in the forest sector will be aided by development of sound policy, regulations and tenure systems as well as improvements in commodity prices and market conditions.



Agriculture

Yukon's agriculture sector is small, but continues to grow and diversify. There are currently 160 farms operating in the Yukon with annual sales of $4.2 million. Over 70% of farms are located within 100 kilometers of Whitehorse. Greenhousing and poultry farming are the largest sectors while vegetable and meat production are increasing. There is an estimated $50 million of capital in the agriculture sector, 80% in land and buildings. Growth potential in agriculture comes from competing with imported food to the Yukon market.



Cultural Industries

Cultural industries represent one of the fastest growing jobs producers in the Yukon, which, together with the information and recreation industries, employs around 1,000 people. Cultural industries includes film and video production, sound recording, new media production, publishing, visual arts and crafts. There has been significant growth in sound recording and local publishing in recent years as the Yukon now hosts six recording studios and two major book publishers. Yukon cultural industries have proven to be competitive globally and have strong growth potential.

Information Technologies

Yukon's IT sector is small but has great growth potential. The Yukon has a highly connected population with over 53% of homes having internet connections and all but two Yukon communities having access to high speed internet. The IT sector has proven successful in developing products to serve the local market and has the potential increase exports. The sector needs further broadband access to keep up with demand and to develop outside markets.

Major Yukon Economic Opportunities

Despite the recent poor economic performance, there are several strategic projects that have the potential to drive economic growth in the long-term. These include:

1. The Alaska Highway Natural Gas Pipeline

Despite recent delays, the Alaska Highway Pipeline Project remains a significant Yukon opportunity. The long-term inability to meet forecast demand for natural gas in the U.S. will keep industry attention focused on the vast reserves located in Prudhoe Bay. The project is significant at a national and local level:

Benefits for Canada[1]:

- $13.6 billion construction cost;
- 160,000 – 375,000 person-years of employment;
- $26 to $31 billion contribution to GDP;

Benefits for Yukon:

- 30% increase in GDP;
- 32,000 – 50,000 person-years of employment;

- EN benefits with jobs and royalties.

[1] All benefits estimated by Informetrica: The Alaska Highway Project: Economic Effects on the Yukon and Canada.

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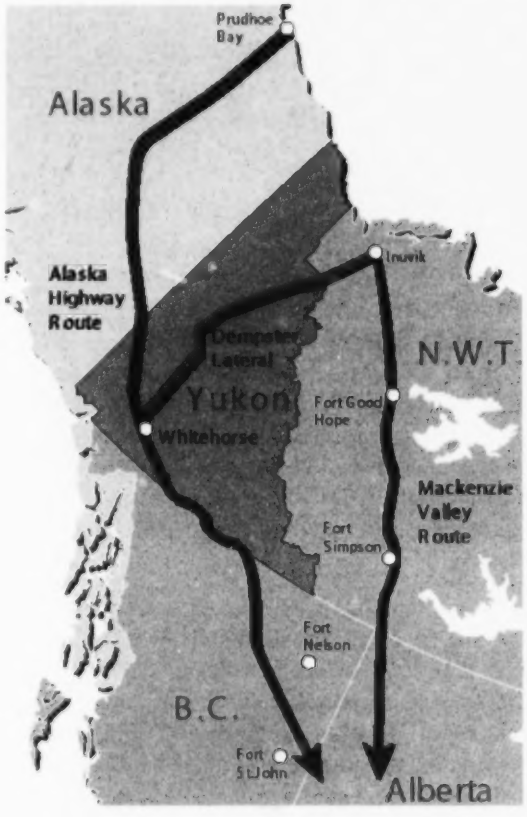


- FN benefits with jobs and royalties.

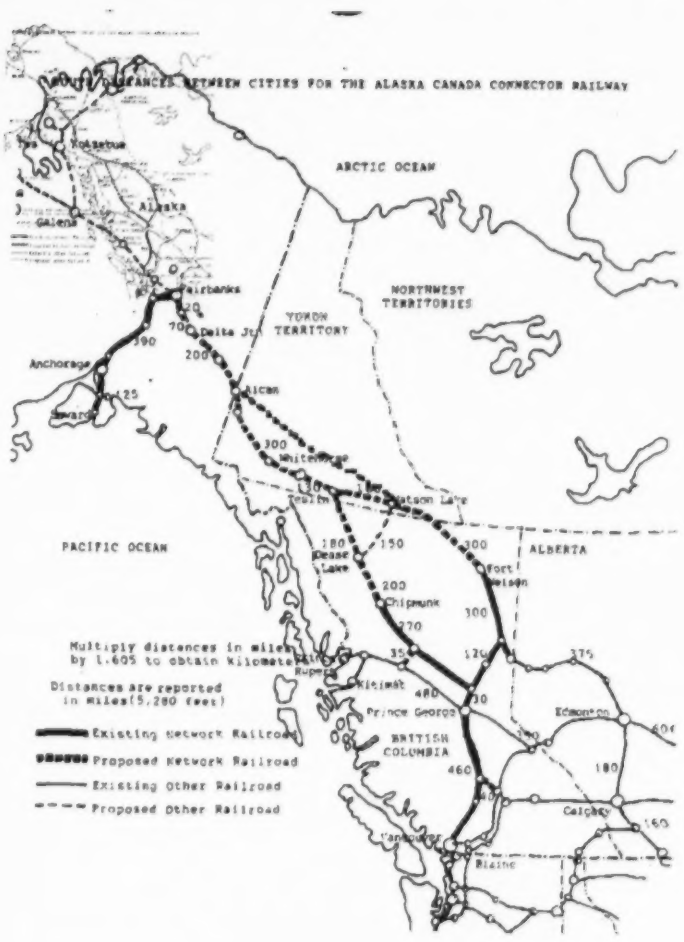
[1] All benefits estimated by Informetrica: The Alaska Highway Project: Economic Effects on the Yukon and Canada.

2. Canada-Alaska Railway Project

The rail link between Alaska and the British Columbia would provide a major piece of strategic infrastructure to the Yukon. A rail link would favorably improve the economics of mining, oil and gas, tourism and a host of other sectors.

The U.S. is proposing a joint commission to study the feasibility of the project and has offered $6 million (U.S.) in funding to undertake feasibility work. Former transport Minister David Collenette did not formally accept the U.S. offer however, the position of the new Transport Minister, Tony Valeri, is not yet known.

The project has estimated capital cost $1.5 to 2.3 billion (U.S.) although detailed cost estimates have not yet been prepared.



3. 2007 Canada Games

The 2007 Canada Games, hosted by the City of Whitehorse, provide a tangible near-term economic opportunity. Early estimates predict that the games are expected to generate 500 or more person years of employment and increase GDP by around 2 per cent. Construction spending is expected to provide another 400 person years of employment in the lead-up to the games.

In early 2004, the host society will be working to further define the benefits and opportunities possible through hosting the games. The goal of this exercise to ensure that the economic benefits of hosting the Canada Games generate opportunities for Yukon businesses.

4. Land Claims and Devolution

The Yukon economy has been transformed in the last year with the continued progress on Land Claims settlements and the devolution of resource management authorities from Canada to the Yukon.

In 2003, 12 of 14 Yukon First Nations have signed or initialled their final agreements and many are now implementing. First Nations are becoming major investors in the Yukon economy and are using their land, resources and governance authority to create economic opportunities. Major projects to date include the Vuntut Development Corporations partnership in Air North, the Yukon Inn partnership, the Lyn Building purchase and other others. New projects, such as the Carcross Tagish First Nation's Four Mountains Resort and the Kwanlin Dun waterfront development project are in the planning stage. Other projects are likely to materialize in the next few years that present opportunities for First Nations and for all Yukoners.

Devolution puts the control of Yukon resources in the hands of Yukon people. The federal resource management regimes that were inherited through the transfer have been criticized for being inflexible and unresponsive to the needs of Yukon business. The long-term impact is that future changes in policies, legislation and regulations will be made by the Yukon to meet the concerns of all Yukon residents.

Appendix 2

List of Participating Stakeholders

KEY STAKEHOLDERS ROUNDTABLE (over the course of five meetings)

1. Association of Yukon Communities, Ernie Bourassa
2. Association of Yukon Communities, Duke Connelly
3. Cultural Industries, Mark Smith
4. Taking Action Committee, Spokesperson Curtis Prosko
5. Tourism Industry Association of Yukon (TIA), Executive Director Patti Balsillie
6. Tourism Industry Association of Yukon (TIA), President Nancy Huston
7. Whitehorse Chamber of Commerce – Ted Lambert, Second Vice President
8. Whitehorse Chamber of Commerce – Natasha Phillips, Executive Director
9. Whitehorse Chamber of Commerce – President Hector Campbell
10. Yukon Chamber of Commerce – Chair Paul Goguen
11. Yukon Chamber of Commerce – President Sandy Babcock
12. Yukon Chamber of Commerce, Michael Brandt
13. Yukon Chamber of Mines – President Mike Power
14. Yukon Chamber of Mines – President Scott Casselman
15. Yukon Contractors Association, President Jennifer Byram
16. Yukon Council on the Economy & Environment (YCEE), Chair James Graaton
17. Yukon Council on the Economy & Environment (YCEE), Ralph Nordling
18. Yukon Federation of Labour – Executive Director Doug Rody
19. Yukon Federation of Labour – guest Luigi Zanasi, Economist
20. Yukon Federation of Labour – guest Dave Hobbis – YEUPASAC
21. Yukon Indian Development Corporation – Chair Greg Charlie
22. Yukon Indian Development Corporation – President Judy Gingell
23. Yukon Indian Development Corporation – General Manager Bruce Luznar
24. Yukon Information Technology Industry Society (YITIS) – Vice President John Bowser
25. Yukon Infrastructure Alliance – Spokesperson Rob Harvey

ECONOMIC CONSULTATION ONE-ON-ONE MEETINGS

ASSOCIATION OF YUKON COMMUNITIES

1. Mayor Ernie Bourassa
2. Bill Newell

CULTURAL INDUSTRIES REPRESENTATIVE

3. Chris Dray

RDÉE – ASSOCIATION FRANCO-YUKONNAISE

4. Pierre Bourbeau, Acting Director General
5. Dominique Pepin-Filion, Director Economic Development
6. Regis St.-Pierre, Economic Development – Youth
7. Isabelle Plouffe, Project Manager – Tourism

CULTURAL INDUSTRIES

8. Mike Mancini, Yukon Historical & Museums Association
9. Barb Dunlop, YHM North
10. John Small, Wolf Creek Books, & Yukon Publishers Assoc.

YUKON FIRST NATION DEVELOPMENT CORPORATIONS

11. Carcross Tagish Development Corporation – Bill Forsythe, General Manager
12. Champagne & Aishihik First Nation – Steve Smith
13. Champagne & Aishihik First Nation – Ian Robinson, Bus. Development Officer
14. Chief Isaac Incorporated – Marge Kormendy, Administrative Manager
15. Chief Isaac Incorporated – Tom Martin, CEO
16. Dana Naye Ventures – Catherine Poole, Manager Strategic Initiatives
17. Dana Naye Ventures – Louise Clethero, Chairperson
18. Kaska Dena Council – Peter Stone
19. Kluane First Nation – Mary Anne Carroll, Economic Development Officer
20. Kluane First Nation (and Epcom) – Luke Johnson
21. Kwanlin Development Corporation – William Carlick, Vice Chair
22. Nacho Nyak Dun Development Corporation – Heather Saggers, President
23. Teslin Development Corporation – Sarah Johnson
24. Vuntut Development Corporation – Ron Daub, Executive Director
25. YIDC – Judy Gingell, President
26. YIDC – Bruce Luznar, General Manager
27. YIDC – Greg Charlie, Chairperson
28. YIDC, Kluane First Nation, Dana Naye Ventures – Richard Dickson

RAIYA- MUSIC YUKON

29. Mark Smith, RAIYA (being renamed Music Yukon)

TOURISM INDUSTRY ASSOCIATION OF YUKON (TIAY)

30. Layle Lund, President
31. Tom Patterson, Vice-President
32. Greg Karais
33. Art Webster
34. Derrick Charlton
35. June Hampton
36. Wanda Leaf
37. Ed Festel

WHITEHORSE CHAMBER OF COMMERCE

38. Hector Campbell, President
39. Wad Lezoris
40. Vicki Marchuk
41. Ted Lambert
42. Barb Harris
43. Natasha Phillips
44. Shane Kingscote

YUKON COUNCIL ON THE ECONOMY & ENVIRONMENT (YCEE)

45. Charlotte Hrenchuk, Yukon Status of Women
46. Curtis Shaw, Yukon Chamber of Commerce
47. Elaine Shorty, CYFN
48. James Graaton, YCEE Chair
49. Louise Bouvier, Yukon Aboriginal Womens Association
50. Malcolm Taggart, Yukon Federal of Labour
51. Ralph Nordling, YCEE Vice Chair
52. Randy Taylor, Yukon Conservation Society
53. Tamar Vandenberghe, YCEE Admin Assistant

YUKON CHAMBER OF MINES

54. Scott Casselman, President
55. John Witham
56. Carl Scholtz
57. Don Cornell
58. Gary Lee
59. Peter Perceival
60. Mike Phillips
61. Dave Tenney
62. Joel White

YUKON INFORMATION TECHNOLOGY INDUSTRY SOCIETY (YITIS)

63. Chris Lane, Lane Systems
64. Rick Steele, Manager YKNet
65. John Bowser, All North Enterprises
66. Glen Jolly, Pinnacle Systems

YUKON AGRICULTURE ASSOCIATION

67. Doug Craig, President
68. Debbie Throssell

YUKON CHAMBER OF COMMERCE

69. Paul Goguen, Chair
70. Sandy Babcock, President

YUKON COLLEGE

71. Sally Webber, President
72. John Burdek, Director of First Nation Initiatives
73. Wayne Coghill,
Director of Administrative Services
74. Stu Mackay, Dean of Professional Studies

YUKON CONTRACTORS ASSOCIATION

75. Jennifer Byram, President
76. Curtis Prosko, Skookum Construction,
Taking Action Committee

YUKON FEDERAL COUNCIL

77. Anne Morin, Parks Canada
78. Barbara Stobie,
Human Resources Development Canada
79. Bob Gray, Natural Resources Canada
80. Christine Prasad, Communications Canada
81. Elizabeth Hanson,
Dept. of Indian and Northern Affairs
82. Gary Burgess, Canada Customs
83. Gord Zealand, Dept. of Fisheries & Oceans
84. Hillarie Zimmermann, Rural Secretariat
85. Jeff Stanhope, Industry Canada
86. Karen Ruddy, Dept. of Justice Canada
87. Kathleen Coventry, Yukon Interested Public
Servants Committee (YIPS)
88. Nanci Gagnon,
Department of National Defence
89. Gord Zealand, Rona McLennan,
Dept. of Fisheries and Oceans
90. Tom Sparrow,
Public Works & Government Services Canada

YUKON REALTORS ASSOCIATION

91. Dan Lang, President
92. Don MacDonald, Director
93. Nancy McIntyre, Director
94. *Paulette Ruest, Director

YUKON TRAPPERS ASSOCIATION

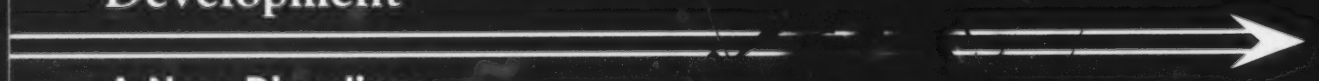
95. Jamie Toole, President
96. Carmen Nantel, Executive Director

YUKON FEDERATION OF LABOUR

97. Alex Furlong, President
98. Doug Rody, Executive Director

JOHN WITHAM

Yukon Economic Development



A New Direction:
Building a Sustainable and Competitive Yukon Economy